



Report of the Housing Transition Policy Group

SUBMITTED TO GOVERNOR-ELECT JON S. CORZINE

Final Report

January 10, 2006

EXECUTIVE SUMMARY

The Housing Transition Policy Group recommends that the Governor-Elect consider the following recommendations:

Convene a commission of government officials and non-governmental stakeholders to articulate and carryout a clear, effective, and comprehensive affordable housing strategy, and appoint a senior level policy advisor to coordinate policy issues related to the production and preservation of affordable housing.

Reorganize and restructure state housing subsidy programs into a more effective, user-friendly, and efficient housing delivery system.

Encourage the development of “mixed-income” housing to increase the supply of affordable housing and to promote broad income diversity.

Develop a comprehensive plan to preserve “at-risk” rental housing and housing with expiring affordability controls and strengthen existing affordability controls to ensure full implementation.

Double funding for the State Rental Assistance Program (SRAP) from \$25 million to \$50 million.

Adopt a Housing First Policy for those with special needs, as appropriate, to provide housing upfront and supplement housing with wrap-around services, such as substance abuse or other health care services.

Assist seniors and veterans to remain in their homes by improving outreach to and enrollment in existing programs, including but not limited to reverse mortgages and home repair loans.

Create an effective and efficient system to address the needs of homeless citizens and lower-income people “at-risk” of homelessness and provide presumptive eligibility for housing assistance to any household earning less than 250 percent of the federal poverty level.

Direct the New Jersey Housing Mortgage Finance Agency (HMFA) to work with private lenders to develop joint public-private mortgage programs to increase the financing options available to first-time homebuyers.

Provide the Division of Civil Rights the resources and authority needed to address housing discrimination, including, but not limited to, discrimination on the basis of race, disability, national origin, familial status, age, and participation in the Section 8 program.

RECOMMENDATION 1

START A PROCESS TO ARTICULATE A CLEAR, EFFECTIVE AND COMPREHENSIVE HOUSING STRATEGY

Steps for Achievement:

- Convene a commission that includes high-level designated representatives of all relevant state departments and agencies as well as non-governmental stakeholders including academics, practitioners, public housing authorities, advocates and consumers.
- Appoint a senior policy advisor responsible for coordinating housing policy issues. The advisor would assist the Governor in developing and implementing a statewide affordable housing policy and represent the Governor on the commission. The advisor would monitor the actions of all state departments and agencies whose actions impact housing policy

Rationale: Housing Policy Group member, legislators, and other individuals the group consulted agreed that there is a critical need for the development of a consistent, comprehensive, and ongoing discussion about housing policies and issues in New Jersey. Because the actions and authorities of multiple state departments and agencies explicitly and implicitly affect housing, interagency coordination is essential to producing and preserving affordable housing, improving supportive housing, reducing home utility costs, and eliminating housing discrimination.

RECOMMENDATION 2

REORGANIZE AND RESTRUCTURE STATE HOUSING SUBSIDY PROGRAMS INTO A MORE USER-FRIENDLY, EFFICIENT AND STRATEGIC DELIVERY SYSTEM.

Steps for Achievement:

- Begin a process, such as a short-term study commission, to move toward a structure that places major state housing programs in a single entity with housing, community development, and urban revitalization as its priority.
- Direct the Department of Community Affairs (DCA) to better coordinate its housing subsidy programs, such as the HOME Express Program.
- Direct DCA to regularly publish on its website information on Balanced Housing Program balances, annual fund revenues, allocations, and project funding decisions.
- Direct the Coalition on Affordable Housing (COAH) to regularly publish on its website information about municipal housing obligations, actual affordable housing production, and the collection and expenditure of development fees in municipal housing trust funds.
- Reexamine rules of all state housing finance and subsidy programs to increase the participation and capacity of non-profit and other community-based affordable housing developers and public housing authorities.

Rationale: Current state housing subsidy programs are fragmented among several state agencies (e.g., DCA, HMFA, COAH and the Department of Human Services (DHS)) and levels of government (e.g., state, county, and municipal). Housing developers must often coordinate the efforts of housing programs in order to produce and preserve affordable housing. Integrating and coordinating these programs will promote a more efficient housing delivery system. Municipal housing trust funds have stockpiled about \$100 million in development fees, while the Balance Housing Program has reported fund balances of about \$100 million.

RECOMMENDATION 3

ENCOURAGE THE DEVELOPMENT OF “MIXED-INCOME” HOUSING¹ AND INCREASE OVERALL HOUSING PRODUCTION.

Steps for Achievement:

- Direct state agencies with land-use authority (e.g., Pinelands Commission, Meadowlands Commission, Highlands Council, and Sports and Exposition Authority) to incorporate mixed-income housing development requirements in master plans, redevelopment plans, and development regulations.
- Require substantial mixed-income housing in mixed-use development projects that receive state financial assistance.
- Promote higher density mixed-income housing development by establishing minimum density requirements in Smart Growth Areas under the State Development and Redevelopment Plan.
- Target state infrastructure funding to favor higher density, mixed-income development in Smart Growth Areas.
- Direct Department of Transportation (DOT) and New Jersey Transit to require mixed-income housing within all state-assisted Transit Villages.
- Direct DCA and HMFA to make Balanced Housing Funds and Low-Income Housing Tax Credits (LIHTCs) available to mixed-income housing developments where: (i) significantly more than 20 percent of the units will be affordable to very low-, low-, and moderate-income households, and (ii) the developer can demonstrate that the development is not financially feasible in the absence of such subsidy funding.
- Deepen the range of affordability for very low-income households under DCA, COAH, and HMFA programs through rule amendments establishing minimum set-asides and the provision of Balanced Housing and other subsidies.
- Require municipalities to permit accessory apartments within or adjacent to existing single-family homes as a matter of right in residential zones under the Municipal Land Use Law. Accomplish this through passage of legislation, such as A4592, introduced in

¹ For the purposes of this recommendation, mixed-income housing is defined as including market-rate housing and housing for at least one of the following: middle income (81 to 120 percent of area median income (AMI)), moderate income (51 to 80 percent of AMI), low-income (31 to 50 percent of AMI) or very low-income households (under 30 percent of AMI).

the 2004-2005 state legislative session, and create an outreach program to promote the concept of accessory apartments as a way to increase the supply of affordable housing.

- Require that 30 percent of the housing units created with state funds (e.g., Balanced Housing Program) or state-controlled housing resources (e.g., LIHTCs, developer fees, etc.) be affordable to people earning 30 percent of area median income or less and provide sufficient Balanced Housing Program funding and other subsidies to support this initiative. Issue an executive order directing DCA, COAH, and HMFA to amend regulations to achieve this goal.

Rationale: The New Jersey housing crisis is real and pervasive: almost 1 out of every 4 households (including 873,500 current low, moderate and middle-income households) has serious housing problems (paying more than 30 percent of income for housing or living in overcrowded or substandard housing). Another 94,000 low and moderate income households will need decent, safe, affordable housing throughout the 2005-2015 period. In seeking to meet these needs, the production of mixed-income housing that provides broad income diversity and does not concentrate affordable housing is deemed a desirable social and economic goal. Ninety percent of the households with severe housing needs earn less than 30 percent of the state median income and are not currently being served by any of the state's housing production programs.

RECOMMENDATION 4

DEVELOP A COMPREHENSIVE PLAN TO PRESERVE AT-RISK RENTAL HOUSING, HOUSING WITH EXPIRING AFFORDABILITY CONTROLS, AND STRENGTHEN EXISTING AFFORDABILITY CONTROLS TO ENSURE FULL IMPLEMENTATION.

Steps for Achievement:

- Conduct a review of all state housing programs to identify ways to preserve New Jersey's affordable housing stock over the long term, culminating in a comprehensive state housing preservation plan. As part of this review, conduct an audit of rent increases in all state supported or regulated housing to determine if a pattern of rent increases above wage inflation exists in any segment of that housing. Address any such pattern through appropriate executive or legislative action.
- Pass legislation mandating the "right of first refusal" for the municipality or a nonprofit willing to acquire and maintain expiring use developments as affordable housing, including federally funded expiring use projects, LIHTC developments, Balanced Housing Program developments, and housing in inclusionary developments. Identify new funding or use HMFA and DCA resources to preserve this housing,
- Require one-for-one replacement in the community for affordable housing units lost through redevelopment.
- Direct HMFA to develop a statewide foreclosure intervention process and a revolving loan fund so that HMFA and municipalities can intervene in any foreclosure litigation involving deed-restricted affordable for-sale housing, with the goal of maintaining the

affordability deed restrictions and reselling the housing unit to another income-eligible purchaser.

- Direct HMFA to work with municipalities and local redevelopment authorities to execute Asset Control Area agreements with the federal Department of Housing and Urban Development (HUD) whereby HUD-foreclosed single-family housing in HUD-identified revitalization areas throughout the state can be acquired, renovated, and added to the affordable housing stock.
- Expand utilization of the receivership law by directing DCA to embark on a proactive effort to inform tenants of the availability of receivership as a remedy for troubled rental properties and ensure that an adequate number of qualified receivers are available. Amend the receivership law to require municipalities or the state to seek receivership for troubled properties where tenants seek assistance.
- Direct DCA to make Balanced Housing Program funds available to owners of existing, older (20 years or older) affordable rental housing developments (five or more units) where owners wishing to maintain and extend affordability restrictions require financial assistance to adequately fund capital improvements and operating and replacement reserves.
- Direct HMFA (with the assistance of DCA and COAH) to utilize the New Jersey Housing Resource Center website to inventory and monitor all deed-restricted affordable rental and for-sale housing in the state. Furthermore, HMFA should use this information to advise interested parties (owners, developers, state agencies, etc.) of upcoming deed-restriction expirations and take proactive steps to encourage and support the extension of affordability deed restrictions, where appropriate.
- In order to preserve affordable units in mixed income developments, consider permanent affordability controls for those units built with state funding or to meet COAH obligations.

Rationale: New Jersey is losing thousands of affordable housing units each year. The remaining affordable housing stock must be preserved in order to address the state's housing problems, because not enough new housing can be produced both to meet future needs and replace what is lost. With the escalating cost of land, it will be far more cost effective to use resources to preserve housing and extend affordability controls than to create new affordable housing. Existing affordable housing units are aging and will require financial assistance to preserve the buildings so that affordability deed restrictions can be extended and the buildings can be maintained.

RECOMMENDATION 5

DOUBLE FUNDING FOR THE STATE'S RENTAL ASSISTANCE PROGRAM AND AMEND THE PROGRAM TO MAXIMIZE IMPACT.

Steps for Achievement:

- Increase funding for the State Rental Assistance Program (SRAP) appropriation by \$25 million and identify a new ongoing revenue source for this purpose.
- Increase the proportion of SRAP funds used for project-based vouchers from 17 percent to no less than 30 percent to maximize households assisted, and eliminate mandatory work requirement.
- Amend the SRAP regulations to include a preference for individuals terminated from New Jersey public housing authority Section 8 programs due to federal funding cuts.

Rationale: According to the 2000 census there are over 130,000 renters in New Jersey who are extremely low-income and severely cost-burdened (e.g., paying more than 50 percent of income for housing). More than 100,000 households are on public housing authority waiting lists for a Section 8 voucher in New Jersey. This is the population that needs rental assistance and is not receiving it. If the proposed one percent across the board reduction in the current federal budget is implemented, New Jersey will lose 3,200 Section 8 vouchers.

RECOMMENDATION 6

ADOPT A HOUSING FIRST HOUSING POLICY WITH AN EMPHASIS ON WRAP-AROUND SERVICES FOR ALL SPECIAL NEEDS POPULATIONS, WHERE APPROPRIATE

Steps for Achievement:

- Issue a directive to all relevant state agencies indicating they should use a Housing First philosophy for assisting special needs populations, where appropriate. Under such a philosophy, rental housing is provided upfront and is neither contingent on the completion of rehabilitation or other services, nor is it time-limited; rehabilitation or other services are provided in addition to housing.
- Invest \$19 million in unspent funds from a previous bond issuance within the Division of the Developmentally Disabled (DDD) in a timely manner to build much-needed housing for developmentally disabled populations by requiring DDD to present a spending plan and timeline for completion within 45 days.
- Explore the opportunity for refinancing existing debt on older facilities in order to generate funds for ongoing capital repairs and improvements within DDD as well as the Division of Mental Health Services.
- DDD should continue to examine the possible use and implementation of Global Long-Term Care Budgets (a method of collapsing waiver programs, putting the money into a general pot and using the flexibility to provide a comprehensive level of services).
- Fully implement the “Special Needs Housing Trust Fund” to create 10,000 housing units for those with special needs over the next ten (10) years.
- Adopt regulations to give priority to special needs populations in all state housing subsidy programs.
- Create a land bank program, modeled after Rhode Island’s program, in HMFA for non-profit sponsors and public housing authorities.

- Identify relevant service and operating funding streams in each state department and agency and create a process that allows for more timely funding decisions in conjunction with the Special Needs Trust Fund and continue such an interagency approach in determining which projects should be funded under the Special Needs Housing Trust Fund.
- Increase outreach efforts to public housing authorities to develop special needs housing and supported housing models in federally assisted (public housing) and unassisted housing developments.
- Designate a staff person at DHS with housing development expertise to explore housing opportunities for all of the Department's divisions, promote special needs best housing practices, and act as a departmental liaison to other state agencies involved in housing.
- Create a homeownership model under the Special Needs Trust Fund that includes options such as co-op housing and family-sponsored housing.
- Explore opportunities for partnering with public housing authorities on a voluntary basis to create more housing opportunities under the New Jersey Public Housing Authority Project-Based Section 8 Voucher Initiative.
- Reinstate the DHS "Good Neighbor" program to combat NIMBYISM and explore the possibility of replicating this program in other departments and agencies charged with housing development.
- Ensure compliance with the Olmstead decision, in which the United States Supreme Court held that state and local governments have an obligation to provide community-based services for people with disabilities when they are ready to leave institutional-settings.

Rationale: Housing First models have demonstrated that providing housing assistance, case management and supportive services responsive to individual needs is an effective way of sustaining a person's wellness. Current policies that require those with substance abuse or mental health conditions to complete treatment programs in order to receive housing fail to recognize the importance of stable housing to successful treatment.

RECOMMENDATION 7

HELP SENIORS AND VETERANS STAY IN THEIR HOMES BY IMPROVING OUTREACH AND ENROLLMENT TO UTILIZE EXISTING TOOLS, INCLUDING BUT NOT LIMITED TO ACCESS TO HOME REPAIR LOANS AND REVERSE MORTGAGES.

Steps for Achievement:

- Emphasize the role of congregate services for the senior population and explore opportunities for leveraging existing state resources or identifying additional federal resources to provide these services. Explore the feasibility of updating the Congregate Supportive Housing Program (CSHP) sliding co-payment scale for program recipients.
- Adopt Universal Design Standards for all subsidized senior housing.

- Promote Naturally Occurring Retirement Communities (NORCs), which are neighborhoods, housing projects or apartment buildings that – while not exclusively designed for older residents – have a significant concentration of households 60 years or older.
- Assess the role and effectiveness of the Public Guardian within the Department of Health and Senior Services (DHHS).
- Improve public awareness through Area Offices on Aging regarding reverse mortgage products available from the HMFA and other reputable lenders.
- Explore whether or not the current Balanced Housing Program regulations allow for municipally-sponsored housing rehabilitation and, if not, propose a rule change to allow for such rehabilitation and grant housing priority to special needs populations, including low income seniors and veterans
- Ensure that the redevelopment of Fort Monmouth includes affordable housing opportunities and prioritizes the housing needs of veterans.
- Seek federal legislation to authorize the Veterans Affairs Administration to fund permanent housing, in addition to its current transitional housing funding authority.
- Increase outreach efforts to public housing authorities to promote the assisted living program for seniors in public housing developments and identify funding sources and issues and impediments to funding the improvement of public housing facilities to house these services.

Rationale: There are a number of programs that currently exist to assist seniors and veterans stay in their homes; however, members of the public are not well versed in the programs available to them. Therefore, these recommendations emphasize more effective outreach and education about these programs.

RECOMMENDATION 8

CREATE AN EFFECTIVE AND EFFICIENT SYSTEM TO ADDRESS THE NEEDS OF HOMELESS CITIZENS AND THOSE LOWER INCOME PEOPLE WHO ARE “AT RISK” OF BECOMING HOMELESS, AND EXTEND PRESUMPTIVE ELIGIBILITY FOR HOUSING ASSISTANCE TO ANY HOUSEHOLD EARNING LESS THAN 250 PERCENT OF THE FEDERAL POVERTY LEVEL.²

Steps for Achievement:

- Consolidate programs, funding, and staff dealing with homelessness from all departments of state government into DHS to minimize administrative costs and maximize service dollars by using the distribution system already in place at DHS.
- Eliminate all time limits for state homeless services.

Rationale: The January 2005 DHS *Point- in-Time* survey documented nearly 16,000 homeless people (a conservative estimate given the difficulty of tracking the homeless population),

² In 2005, 250 percent of the federal poverty level amounted to a household income of \$40,225 for a family of three.

including 5,000 children. Services and resources to assist the homeless are divided among various departments of state government, and some programs rigidly target only narrow subsets within the homeless population. Homelessness can be the result of many varied circumstances – economic, social and physical – and cannot be dealt with through a “one size fits all” approach. Instead, New Jersey must develop a comprehensive, flexible set of services, programs and funding that can be accessed by service providers to assist those in need. Until affordable housing is available in larger numbers, the State must support service providers and assure adequate funding for services provided.

RECOMMENDATION 9

DIRECT THE HOUSING MORTGAGE FINANCE AGENCY TO WORK WITH PRIVATE LENDERS TO INCREASE THE FINANCING OPTIONS AVAILABLE TO FIRST-TIME HOMEBUYERS BY DEVELOPING JOINT MORTGAGE PROGRAMS SUCH AS PUBLIC-PRIVATE SHARED FIRST MORTGAGES AND HMFA SECOND MORTGAGES.

Steps for Achievement:

- Direct HMFA to expand the Housing Resource Center website by June 2006, to create a user-friendly “homeownership clearinghouse” that will catalogue private and public-sector financing programs.
- Direct HMFA to finance mixed first mortgages, under which private lenders would finance 50 percent of the first mortgage, and HMFA would finance the other 50 percent of the first mortgage, through the sale of tax-exempt mortgage revenue bonds. First-time homebuyers with household incomes of 120 percent or less of the area median income would qualify for an HMFA second mortgage.
- Direct HMFA to finance second mortgages through the sale of taxable revenue bonds. This financing would allow for a second mortgage of up to 20 percent of the purchase price of a home. HMFA should partner with Fannie Mae (because they are the largest secondary market lender in New Jersey) in this effort. To guard against predatory lending, only lenders on the HMFA Approved Lender List would be permitted to participate.

Rationale: New Jersey needs to better leverage the lending ability of private banking institutions, and make available a listing of public and private programs. This will increase the supply of available financing options for first-time homebuyers, thereby lowering their monthly mortgage expenses and increasing their purchasing power. In addition, private sector lenders will bear more of the financial risk for first-time homebuyer mortgages, thereby saving taxpayer funds if mortgages fail.

RECOMMENDATION 10

PROVIDE THE DIVISION OF CIVIL RIGHTS THE RESOURCES AND AUTHORITY NEEDED TO ADDRESS HOUSING DISCRIMINATION.

Steps for Achievement:

- Collaborate with non-profits, the Office of Faith-Based Initiatives, local faith-based organizations, and professional industry groups to conduct investigations into, training on, and distribution of information about housing discrimination.
- Consider a legislative proposal to institute a system of fees (e.g., a filing fee for landlords filing Multiple Dwelling Reports, increase in DCA inspection fees, etc.) and investigate opportunities to raise funding through the Commission on Civil Rights to fund capacity, marketing materials, and the development of public service advertisements.
- Consider a legislative proposal to develop a funding pool from housing discrimination settlements.
- Publish clear rules and enforcement procedures to ensure better compliance with anti-discrimination laws and provide comprehensive compliance training to real estate industry groups, public housing authorities and agencies, and other housing industry groups.
- Develop a housing discrimination “testing” program that will include a full-time testing coordinator, an expanded pool of testers, and enhanced outreach efforts.
- Expand and coordinate the efforts of local Fair Housing Councils.
- Amend regulations or law where necessary to eliminate the current credit worthiness standard as a legitimate means for not renting to a person with a housing voucher, and replace with appropriate alternative standard for judging credit worthiness for low-income people.

Rationale: Housing discrimination is the Division on Civil Rights’ fastest growing caseload segment, including, but not limited to, discrimination on the basis of race, disability, national origin, familial status, age, and participation in the Section 8 program. Investigations into, or “testing”, housing discrimination increase the likelihood of successfully pursuing discrimination complaints and should be enhanced. Because of the Division’s limited funding and staffing capacity, increased collaborations with Fair Housing Councils should be pursued.

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